

Issue Brief:

Legislation 2013: *Three Choices*



On March 12, 2013, the Joint Select Committee on Pensions passed three bills designed to address issues regarding the Teachers' Retirement System funding.

During the 2013 Legislative Session, TRS goals are to support legislation that will address the following issues:

- ◇ Provide **funding** toward current shortfall
- ◇ Increase **contributions** from employee and employers
- ◇ Modify **plan design** for new hires and to accommodate changing financial climate
- ◇ Protect **GABA** for current and future retirees
- ◇ Fulfill requirement of Montana Constitution to **amortize** over 30 years

The chart below shows how the proposed bills meet our requirements:

	Funding	Contributions	Plan Design	GABA	Amortization
TRS Supports:					
<i>Defined benefit plan</i>					
HB 377: Fund TRS and design new plan for future hires	Yes	Yes	Yes	Yes	31
TRS Opposes:					
<i>Defined contribution savings plan</i>					
HB 338 ~ Keith Regier: all new hires to new plan	Yes	Yes	Yes	¹	40
<i>Cash balance plan</i>					
SB 333 ~ Ron Arthun: all new hires to new plan	none	none	Yes	²	Infinite
¹ Suspends GABA ² No GABA for new hires					

Over the past year, in preparation for the 2013 legislative session, TRS reached out to members and stakeholders to discuss how to (1) responsibly pay down the unfunded liability, (2) continue to provide a secure retirement for public teaching professionals, and (3) ensure that Montana communities would be able to recruit and retain a talented public teaching workforce. It is the goal of the members, staff, and Board to find a collaborative solution. Our members have said “we can accept changes to the *current system* if we all share the load.”

HB 377 increases contributions from members, employers, and the state. The bill empowers the Board to adjust contribution rates as annual actuarial analysis indicates ~ increasing if the funding gap grows and decreasing as our solutions reduce the shortfall. The conservative changes to the current system in HB 377 will put us back on course to a stable, funded defined benefit pension plan.

The other choices ~ HB 338 and SB 333 ~ are substantial, comprehensive reforms based on calls for radical change. We question both the assumptions and the data used to promote this view. Montana has the financial resources right now to address the shortage, close the gap, and put the public pension system on solid footing without making radical changes to the structure of a system that has worked for Montanans over 75 years.